



# ECONOMIC INDICATORS

## CITY OF NORFOLK OFFICE OF BUDGET AND GRANTS MANAGEMENT

Last Update: November 12, 2014

### ISSUE HIGHLIGHTS.....

- ❑ **Norfolk Unemployment:** Norfolk's unemployment rate (not seasonally adjusted) stood at 6.7 percent in September, which was unchanged from last year's rate (September 2013) and 0.7 percentage point below last month's rate of 7.4 percent (August 2014). (See page 1)
- ❑ **State Employment:** Nonfarm employment in Virginia (not seasonally adjusted) rose year-over-year by 0.22 percent (or 8,300 jobs) in September to 3,781,100 jobs from 3,772,800 jobs last year (September 2013), which marked the seventh consecutive month of year-over-year growth. (See page 2)
- ❑ **Regional Employment:** Hampton Roads nonfarm employment (not seasonally adjusted) rose year-over-year by 0.52 percent (or 3,900 jobs) in September. This marked the fourth straight month of year-over-year growth, with the upward revision of August's nonfarm employment, and was the largest in those four months. (See page 2)
- ❑ **Regional and Norfolk Housing Market:** Through September, the average sales price of homes sold in Hampton Roads fell slightly from last year by less than 0.1 percent to \$234,574 from \$234,620 last year. The average sales price of homes sold in Norfolk through September fell 1.6 percent, from \$196,562 last year to \$193,337. (See page 3)
- ❑ **Norfolk Residential Building Permits:** Through September, housing units permitted was above last year by 39 units. The increase was mainly from housing units permitted in nonresidential buildings being converted to apartments and single-family housing units. (See page 4)
- ❑ **Norfolk Sales Tax:** Through September, Norfolk sales taxes totaled about \$7.7 million, which was 5.4 percent (about \$396,400) above the amount collected over the same period last year. (See page 5)
- ❑ **National Economy:** Real GDP grew at an annual rate of 3.5 percent (first estimate) in the third quarter, below the 4.6 percent growth in the second quarter. (See page 6)

### Residential Employment

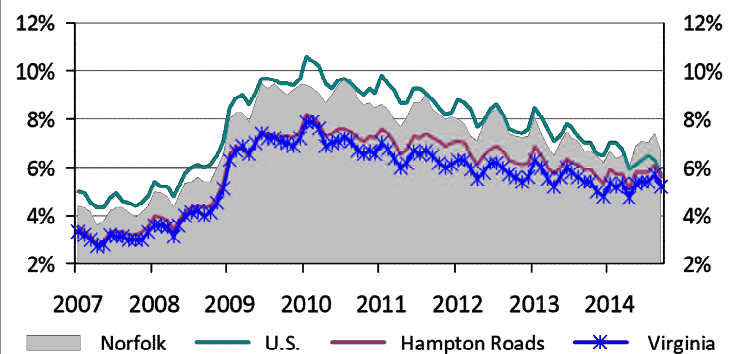
#### Hampton Roads and State Unemployment Rate (not seasonally adjusted)

|                | September 2014* | August 2014 | September 2013 | 10-Year Average |
|----------------|-----------------|-------------|----------------|-----------------|
| <b>Norfolk</b> | <b>6.7%</b>     | <b>7.4%</b> | <b>6.7%</b>    | <b>6.5%</b>     |
| Chesapeake     | 5.2%            | 5.6%        | 5.6%           | 5.0%            |
| Hampton        | 6.3%            | 7.0%        | 6.7%           | 6.1%            |
| Newport News   | 6.2%            | 6.7%        | 6.2%           | 5.9%            |
| Portsmouth     | 6.7%            | 7.1%        | 7.7%           | 6.7%            |
| Suffolk        | 5.9%            | 6.4%        | 6.0%           | 5.4%            |
| Virginia Beach | 5.1%            | 5.5%        | 5.3%           | 4.6%            |
| Hampton Roads  | 5.6%            | 6.1%        | 5.9%           | 5.3%            |
| Virginia       | 5.2%            | 5.7%        | 5.4%           | 5.0%            |

Norfolk's unemployment rate (not seasonally adjusted) stood at 6.7 percent in September, which was unchanged from last year's rate (September 2013) and 0.7 percentage point below last month's rate of 7.4 percent (August 2014). According to the Virginia Employment Commission (VEC), the not seasonally adjusted unemployment rate "usually declines in September, with the start-up of public and private schools and colleges."

The unemployment rate in most of the other major cities in the region declined from both last year and last month, and the state and regional unemployment followed the same trend. The only exception was in Newport News where, like Norfolk, the unemployment rate was unchanged from last year. Compared to the national rate, Chesapeake and Virginia Beach were the only cities among the region's seven major cities where the unemployment rate was below the national rate (5.7 percent, not seasonally adjusted).

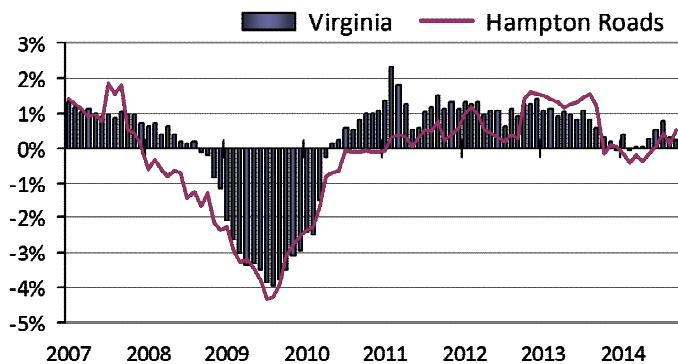
#### Unemployment Rate: Norfolk, Region, State and National (not seasonally adjusted)



## State and Regional Employment

### State and Regional Job Change

(percent change from last year, not seasonally adjusted)



Statewide nonfarm employment (not seasonally adjusted) rose year-over-year by 0.22 percent (or 8,300 jobs) in September to 3,781,100 jobs from 3,772,800 jobs last year (September 2013), which marked the seventh consecutive month of year-over-year growth. However, September's growth was the lowest year-over-year growth since April 2014 both in percentage terms and number of jobs.

Hampton Roads nonfarm employment (not seasonally adjusted) rose year-over-year by 0.52 percent (or 3,900 jobs) in September. This marked the fourth straight month of growth, as the year-over-year change in August's nonfarm employment was revised from a 0.04 percent (or 300 jobs) decline to a 0.05 percent (or 400 jobs) increase. September's growth was also the largest in those four months both in percentage terms and number of jobs. Among other Virginia metropolitan areas, only Danville, Lynchburg and Roanoke had a year-over-year decline in nonfarm employment (not seasonally adjusted).

### September Job Change in Select Industries

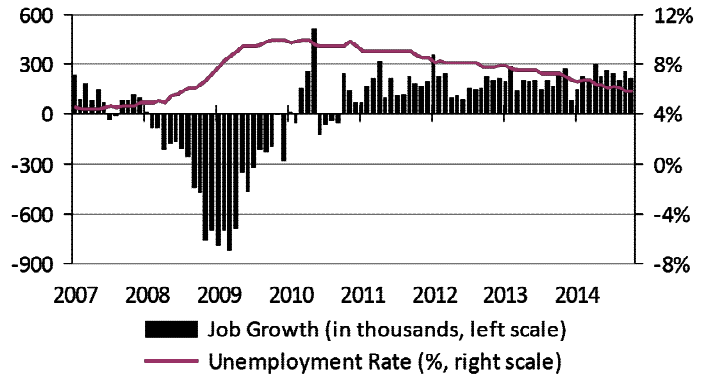
(not seasonally adjusted<sup>1</sup>; job changes are from previous year)

|                                    | Hampton Roads <sup>2</sup> | Virginia <sup>2</sup> |
|------------------------------------|----------------------------|-----------------------|
| Construction                       | 900                        | 1,300                 |
| Manufacturing                      | -200                       | 200                   |
| Trade (Retail and Wholesale)       | 2,800                      | 200                   |
| Transportation and Utilities       | -800                       | -2,800                |
| Information                        | -200                       | 0                     |
| Financial Activities               | 1,200                      | 4,800                 |
| Professional and Business Services | -1,100                     | -12,400               |
| Educational and Health Services    | 1,900                      | 11,600                |
| Leisure and Hospitality            | 900                        | 2,400                 |
| Government                         | -1,800                     | -1,100                |
| <i>Federal Government</i>          | -800                       | -2,900                |
| <i>State Government</i>            | 0                          | 1,400                 |
| <i>Local Government</i>            | -1,000                     | 400                   |

## National Employment

### National Job Growth and Unemployment

(job growth over previous month, seasonally adjusted)



The Bureau of Labor Statistics (BLS) reported nonfarm payroll employment (seasonally adjusted) rose by 214,000 in October, after increasing by a revised 256,000 and 203,000 in September and August, respectively. Year-to-date, nonfarm payroll employment has risen by 2.285 million, almost surpassing the total growth in employment for all of 2013 of 2.331 million (revised). Growth to date was both in the private and public sectors; although within the public sector, growth has mainly been in state and local government. Within the private sector, employment has risen year-to-date in all the major sectors. While for the month of October alone, information was the only major sector that had a decline in employment (4,000 jobs). In October, the seasonally adjusted unemployment rate fell to 5.8 percent from 5.9 percent in September.

### National Job Change by Industry

(seasonally adjusted; Sept./Oct. growth are from previous month)

|                                | Sept. 2014 <sup>3</sup> | Oct. 2014 <sup>2</sup> | 2014 YTD <sup>3</sup> |
|--------------------------------|-------------------------|------------------------|-----------------------|
| Mining & Logging               | 8,000                   | 1,000                  | 46,000                |
| Construction                   | 19,000                  | 12,000                 | 219,000               |
| Manufacturing                  | 9,000                   | 15,000                 | 128,000               |
| Trade/Transportation/Utilities | 42,000                  | 49,000                 | 393,000               |
| Information                    | 13,000                  | -4,000                 | 24,000                |
| Financial Activities           | 12,000                  | 3,000                  | 87,000                |
| Professional/Business Services | 55,000                  | 37,000                 | 568,000               |
| Educational/Health Services    | 43,000                  | 41,000                 | 398,000               |
| Leisure and Hospitality        | 48,000                  | 52,000                 | 325,000               |
| Other Services                 | -5,000                  | 3,000                  | 37,000                |
| Government                     | 12,000                  | 5,000                  | 60,000                |
| <i>Federal Government</i>      | -2,000                  | -3,000                 | -25,000               |
| <i>State Government</i>        | 18,000                  | 1,000                  | 2,000                 |
| <i>Local Government</i>        | -4,000                  | 7,000                  | 83,000                |
| <b>Total Job Growth</b>        | <b>256,000</b>          | <b>214,000</b>         | <b>2,285,000</b>      |

Source: U.S Bureau of Labor Statistics and Virginia Employment Commission. <sup>1</sup> Data on employment in Hampton Roads by industry available on a not seasonally adjusted basis only. <sup>2</sup> Preliminary. <sup>3</sup> Revised.

## Regional Housing Market

| Jan.—Sept.<br>Home Sales | Housing Units Sold |        | Average Days on Market |      |
|--------------------------|--------------------|--------|------------------------|------|
|                          | 2013               | 2014   | 2013                   | 2014 |
| Hampton Roads            | 16,511             | 15,901 | 89                     | 84   |
| Norfolk                  | 1,999              | 1,928  | 91                     | 81   |
| Chesapeake               | 2,703              | 2,511  | 73                     | 71   |
| Hampton                  | 1,066              | 1,029  | 100                    | 106  |
| Newport News             | 1,279              | 1,335  | 99                     | 94   |
| Portsmouth               | 914                | 981    | 97                     | 93   |
| Suffolk                  | 1,002              | 1,013  | 92                     | 89   |
| Virginia Beach           | 4,748              | 4,429  | 73                     | 70   |

## Average Residential Sales Price: January - September

| Area           | 2014      | 2013      | % Change |
|----------------|-----------|-----------|----------|
| Hampton Roads  | \$234,574 | \$234,620 | 0.0%     |
| Norfolk        | \$193,337 | \$196,562 | -1.6%    |
| Chesapeake     | \$250,599 | \$249,487 | 0.4%     |
| Hampton        | \$154,695 | \$151,051 | 2.4%     |
| Newport News   | \$163,122 | \$163,915 | -0.5%    |
| Portsmouth     | \$131,851 | \$121,646 | 8.4%     |
| Suffolk        | \$239,459 | \$233,377 | 2.6%     |
| Virginia Beach | \$285,328 | \$282,610 | 1.0%     |

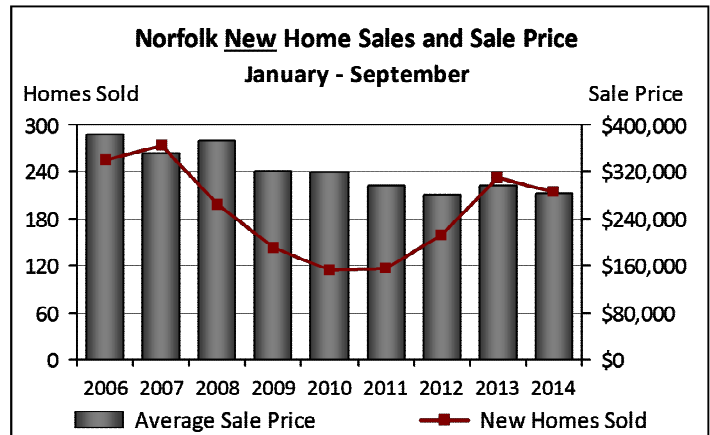
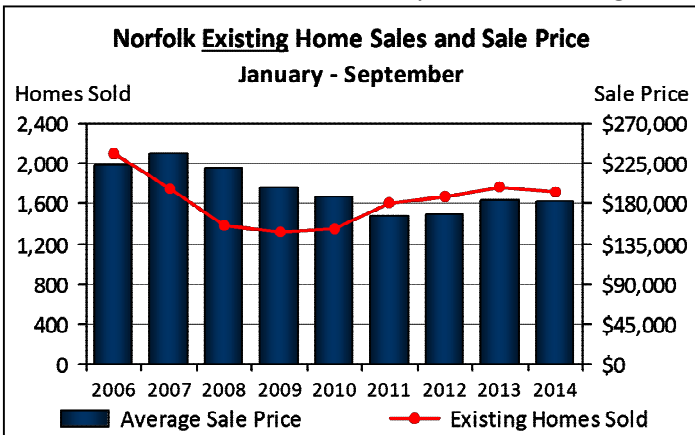
Through September, the Real Estate Information Network (REIN) reported the average sales price of homes sold in Hampton Roads fell slightly from last year by less than 0.1 percent. Moreover, most of the seven major cities of the region had an increase in the average sales price of homes sold year-to-date. Only Newport News and Norfolk have had a decline of 0.5 percent and 1.6 percent, respectively, in the average sales price of homes sold year-to-date. However, for Norfolk, its 1.6 percent year-to-date decline was its lowest this year.

According to REIN, the number of homes sold in Hampton Roads year-to-date was down 3.7 percent from last year. Among the seven major cities, Chesapeake, Hampton, Norfolk and Virginia Beach had a decline year-to-date of 7.1 percent, 3.5 percent, 3.6 percent and 6.7 percent, respectively, while homes sales year-to-date in Newport News, Portsmouth and Suffolk remain above last year by 4.4 percent, 7.3 percent and 1.1 percent, respectively. However, REIN indicated residential pending sales rose 19.27 percent which “should result in higher settled sales over the next few months, assuming all transactions conclude satisfactorily.” Six of the seven major cities had an increase in pending sales ranging from 14 - 28 percent, and only Suffolk had a decline. With the 8.31 percent increase in residential listings, the months’ supply of inventory stood at 6.93 months, which is close to being a balanced market.

## Norfolk Housing Market

Through the third quarter of 2014, the number of existing homes sold in Norfolk was 3.0 percent (53 homes) below last year. Sales of both attached and detached homes were down year-to-date from last year. New home sales were also down year-to-date by 7.7 percent (18 homes) from last year. Unlike existing home sales, the decline in new home sales was mainly due to new detached home sales. Sales of new attached homes were up 4.2 percent year-to-date. Overall, home sales were down year-to-date by 3.6 percent (71 homes).

The average sales price of existing homes sold year-to-date declined slightly by 0.8 percent to about \$182,000 from \$183,400 last year. The decline was mainly from the average sales price of existing detached homes sold. The average sales price of new homes sold also fell from last year by 4.3 percent to about \$283,800 from \$296,400. Unlike existing home sales, the decline was mainly from the average sales price of new attached homes.



Source: Real Estate Information Network (REIN)

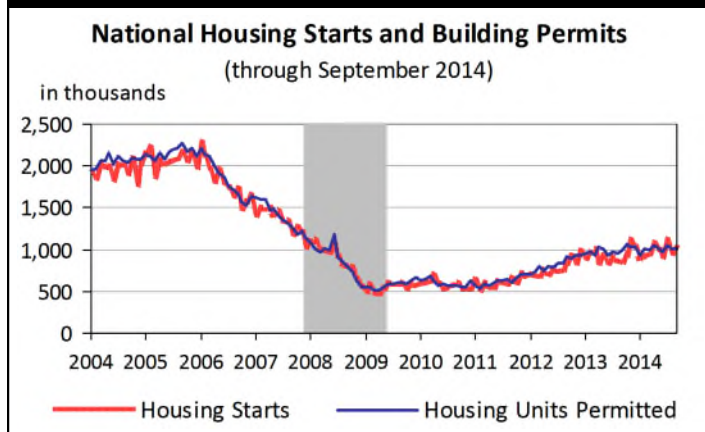


## National Housing Market

National Association of Realtors (NAR) reported existing home sales nationwide rebounded in September to a seasonally adjusted annual rate (SAAR) of 5.17 million, the highest rate this year, which was 2.4 percent above the previous month's (August 2014) 5.05 million revised rate. NAR attributed the increase to "low interest rates and price gains holding steady." However, compared to last year, existing home sales were down 1.7 percent from last year's rate of 5.26 million (September 2013).

New home sales in September edged up 0.2 percent to 467,000 (SAAR) from last month's (August 2014) revised rate of 466,000. With the revision, this was the highest rate since July 2008. New home sales, for the third straight month, were also above last year's rate (399,000 (SAAR), September 2013) by 17 percent. The average sales price of existing homes sold rose 3.7 percent from last year's \$246,300 to \$255,500. However, for new homes sold, the average sales price fell 2.6 percent to \$313,200 from \$321,400, the first year-over-year decline since April 2014.

## National New Residential Construction



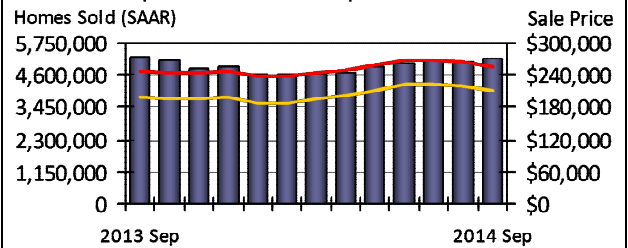
The Census Bureau reported privately-owned housing units authorized by building permits rose 1.5 percent in September to a seasonally adjusted annual rate (SAAR) of 1,018,000 from 1,003,000 in August (revised), mainly due to multi-family (five units or more) authorizations. Compared to last year (September 2013), units permitted were up for the fourth straight month by 2.5 percent from last year's rate of 993,000, although this increase was the smallest in four months. Single and multi-family (five units or more) authorizations both rose year-over-year.

Privately-owned housing starts also rose in September by 6.3 percent to 1,017,000 (SAAR) from a revised 957,000 in August. Housing starts also rose year-over-year for the sixth straight month by 17.8 percent from last year's rate of 863,000 (September 2013). Single and multi-family (five units or more) housing starts were both up month-to-month and year-over-year. The Census Bureau defines the start of construction when excavation begins for the footings or foundation of a building.

Source: National Association of Realtors, U.S. Census Bureau, and City of Norfolk Department of Development. \* "Other" includes new units in mixed use structures, residential conversions, and accessory dwellings. Notes: Norfolk housing units permitted in prior years may be revised due to cancelled, abandoned, expired and revoked permits. Shaded area denotes recession.

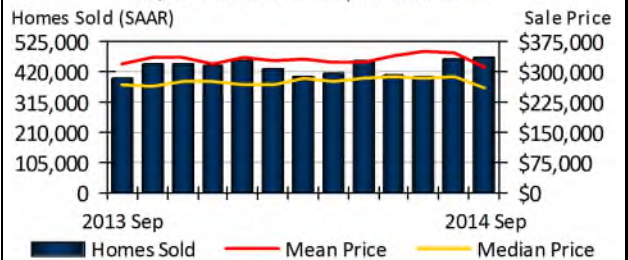
### Existing Home Sales and Sale Price

September 2013 - September 2014



### New Home Sales and Sale Price

September 2013 - September 2014

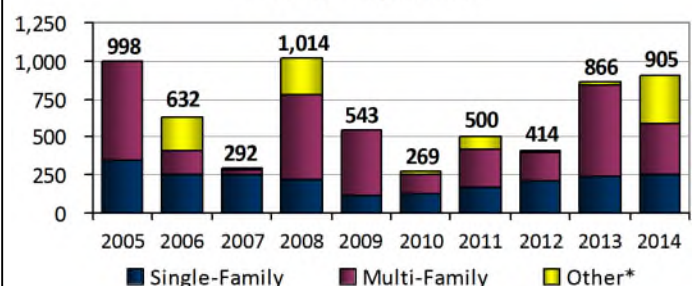


## Norfolk Residential Building Permits

Through September, housing units permitted in Norfolk were above last year by 39 units (4.5 percent). The increase was mainly from housing units permitted in nonresidential buildings being converted to apartments such as, the former Union Mission Building Trader office building, and single-family housing units. In contrast, housing units permitted in new multi-family structures to date were below last year by 44 percent (268 units). However, housing units permitted in new multi-family structures last year was at its highest since 2005.

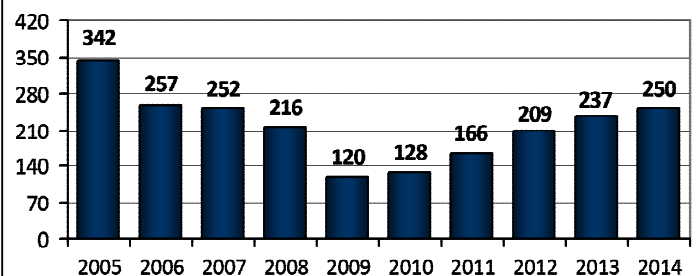
### Number of Housing Units Permitted in Norfolk

January - September



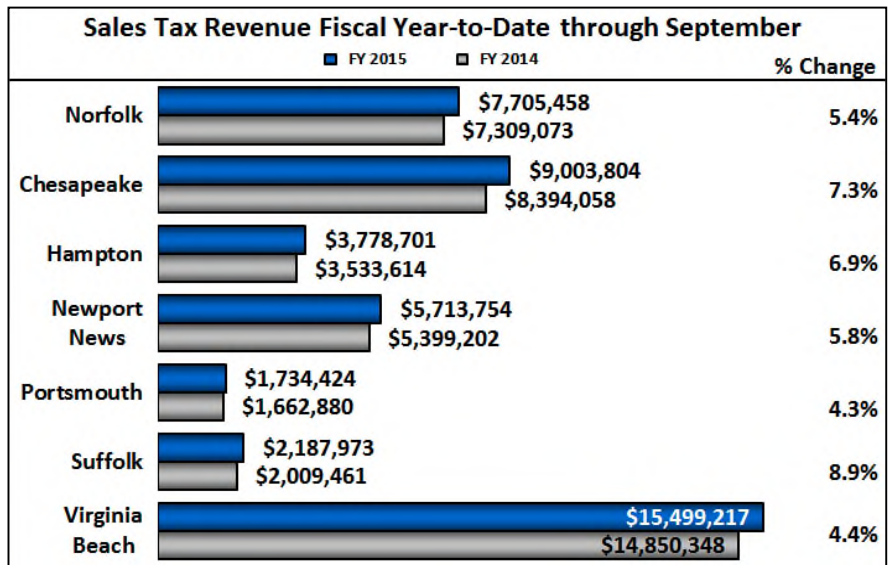
### Number of New Single-Family Dwellings

Permitted in Norfolk: January - September



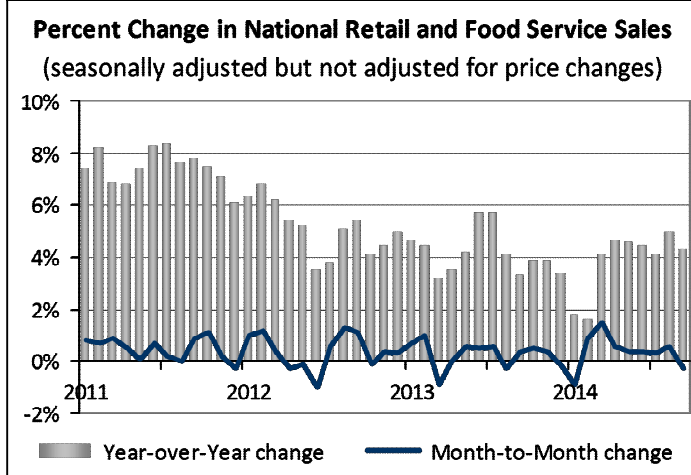
## Norfolk and Regional Sales Tax

The Virginia Department of Taxation (TAX) reported Norfolk sales tax collections in September totaled about \$2.474 million, which was about 4.9 percent more than last year (about \$2.358 million in September 2013). This was the fifth straight month of year-over-year growth, which followed two straight months of year-over-year decline. Sales taxes also continued to rise in all the other major cities in region, with Suffolk having the largest percentage increase (14.8 percent) and Virginia Beach the largest dollar increase (about \$187,100) for the month of September alone.



Fiscal year-to-date through September, Norfolk's sales tax totaled \$7.7 million, which was 5.4 percent (about \$396,400) above the amount collected over the same period last year. Sales tax revenue were up in all the seven major cities through September, with the increase ranging from 4.3 percent (Portsmouth) to 8.9 percent (Suffolk).

## National Retail and Food Service Sales

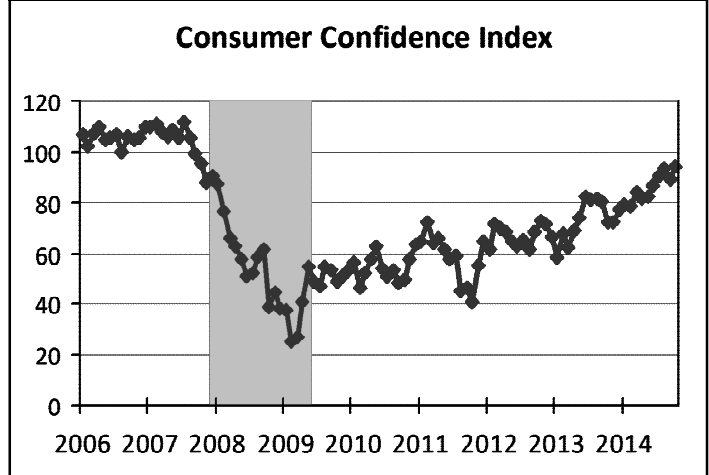


The U.S. Census Bureau reported national retail and food services sales declined in September by 0.3 percent (preliminary) from the previous month (August 2014), the first monthly decline since January 2014. Sales from most of the major business categories fell in September, and the larger declines were seen in sales from motor vehicles and parts dealers, nonstore retailers (which include electronic shopping and mail order houses), gas stations, building materials and garden supplies dealers, and clothing stores.

Retail and food service sales continued to increase year-over-year from last year (September 2013), rising by 4.3 percent (preliminary). Similar to last month, the increase was broad based and only department stores and gas stations had a decline in sales among the major business categories. The decline in sales from gas stations reflected lower gas prices in September. The price of regular gas fell again from last year by 12.6 cents, according to the U.S. Energy Information Administration.

Source: Virginia Department of Taxation (TAX), U.S. Census Bureau, U.S. Energy Information Administration and Conference Board.

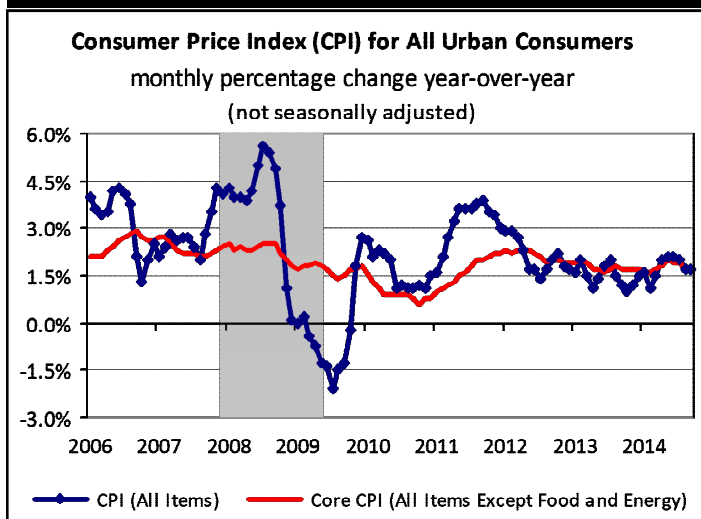
## Consumer Confidence Index



The Conference Board reported the Consumer Confidence Index rebounded in October, rising from 89 in September (revised) to 94.5, its highest level since October 2007. Consumer confidence in both current and future conditions both rose in October. The Present Situation Index, which measures consumer confidence in current conditions edged up to 93.7 from 93, while the Expectations Index, which measures consumer confidence in business, employment and family income six months from now, rose to 95 from 86.4.

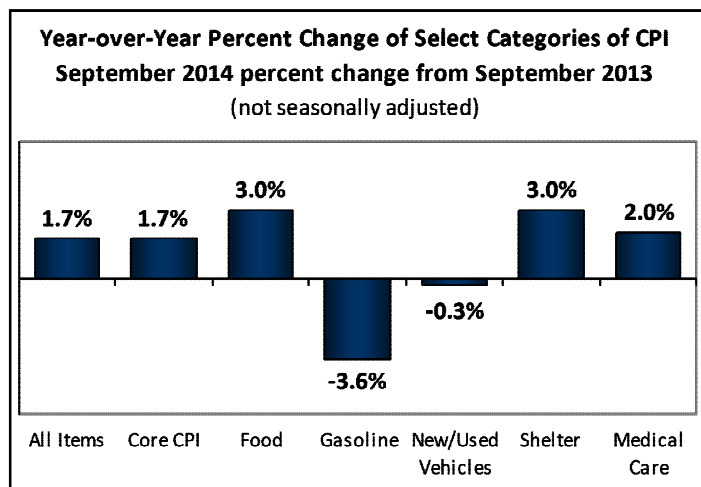
Lynn Franco, Director of Economic Indicators at The Conference Board noted, "a more favorable assessment of the current job market and business conditions contributed to the improvement in consumers' view of the present situation...consumers have regained confidence in the short-term outlook...and are more optimistic about their future earnings potential. With the holiday season around the corner, this boost in confidence should be a welcome sign for retailers."

## Consumer Price Index



The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The Bureau of Labor Statistics (BLS) reported the CPI for all urban consumers rose 0.1 percent in September, after decreasing 0.2 percent in August. Among the major expenditure categories, the food index rose 0.3 percent, while the energy index fell for the third consecutive month by 0.7 percent. The decline in the energy index reflected the fall in the gasoline, electricity, and fuel oil indexes. The core CPI, which excludes food and energy, rose 0.1 percent after it was unchanged in August. According to BLS, the rise in the shelter index accounted for most of the core CPI increase.

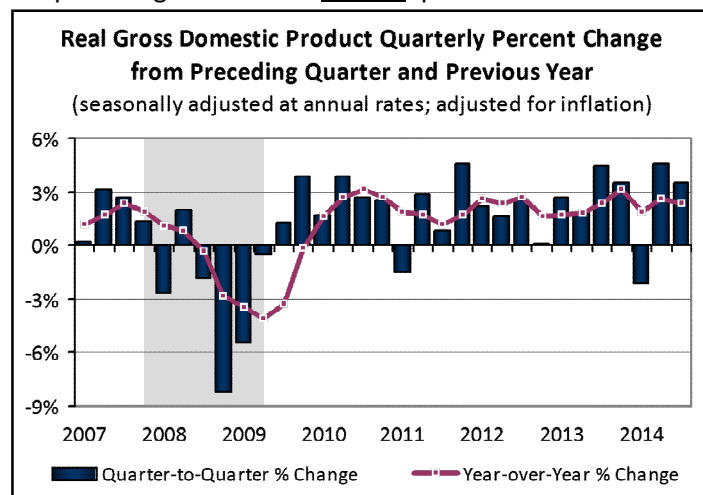
From the previous year, the CPI rose 1.7 percent in September before seasonal adjustment. Among the major expenditure categories, the energy index fell 0.6 percent from the previous year, the first year-over-year decline since February 2014. Gasoline and fuel oil indexes fell in September, offsetting the increase in the electricity and natural gas indexes. In contrast, the food index rose 3.0 percent, which was the largest year-over-year increase since April 2012. The core CPI rose 1.7 percent.



Source: U.S Bureau of Economic Analysis. Shaded areas represent recession as determined by the National Bureau of Economic Research.

## Real Gross Domestic Product (GDP)

Real GDP is the value of all goods and services produced within the U.S., adjusted for inflation, and is the broadest measure of economic activity. The Bureau of Economic Analysis (BEA) reported real GDP rose at an annual rate of 3.5 percent (first estimate) in the third quarter, below the 4.6 percent growth in the second quarter.



The slower growth in the third quarter reflected:

- **consumer spending** increasing 1.8 percent compared to a 2.5 percent growth in the second quarter;
- **business investment in inventory** increasing \$62.8 billion below second quarter's growth of \$84.8 billion;
- **investment in structures and equipment** each rising 3.8 percent and 7.2 percent compared to second quarter growth of 12.6 percent and 11.2 percent, respectively;
- **residential investment** rising 1.8 percent, following an 8.8 percent growth in the second quarter; and
- **state and local government spending** rising 1.3 percent after rising 3.4 percent in the second quarter.

However, BEA cautioned that the first estimate is based on source data that are incomplete or subject to further revision in the next two months.

